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SENSITIVE
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SUBJECT: JORDAN SCENESETTER FOR OCTOBER 12-14 VISIT OF ISN PDAS
MCNERNEY

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¶1. (U) Embassy Amman welcomes the October 13-14 visit to Jordan of International Security and Nonproliferation Bureau PDAS McNerney. Jordan remains one of the United States' strongest partners in promoting peace and security in the Middle East and is active in a broad range of regional engagement activities.

Summary

¶2. (SBU) Summary: King Abdullah is approaching his 10th anniversary on the throne of the Hashemite Kingdom of Jordan. He has used his stewardship to drive economic and political reform and advocate for stability and moderate governance in the region, within the limits of Jordan's influence. Jordan maintains a close relationship with the USG, facilitated by strong military and foreign assistance programs. Jordan welcomes other areas of cooperation with the U.S. and has recently sought U.S. counsel on ways Jordan can better meet its energy needs. Currently dependent on fossil fuels, Jordan's new energy strategy promotes the use of indigenous sources such as oil shale, renewable energy, and nuclear energy, for which it has entered into relationships for uranium exploration and mining. End Summary.

Jordan's Engagement with the USG

¶3. (SBU) Jordan maintains a close relationship with the USG, and King Abdullah is firmly supportive of U.S. priorities and initiatives. The United States and Jordan share a long history of cooperating to achieve shared goals, many achieved through U.S. assistance. Jordan is appreciative of the recent budget supplemental and grants which brought the total amount of non-military aid in 2008 to USD 561.4 million, an increase of 120% from 2007, making Jordanians some of the highest per-capita recipients of foreign assistance. A recent non-binding Memorandum of Understanding signed by the Secretary and Foreign Minister Salah Al-Bashir outlined U.S. support over the next five years with USD 360 million per year in Economic Support Funds (ESF) and USD 300 million per year in FMF. USAID's wide range of projects in Jordan strengthens water resources management, local governance, health and education systems, the judiciary, tourism, protection of the environment, alternative energy sources, and economic development. Jordan in recent years has received FMF in the USD 200-300 million range, used, in part, to educate over 200 officers in annual IMET programs. CENTCOM has its most extensive exercise program in Jordan, conducting 12 multilateral/bilateral exercises annually with Jordanian Armed Forces support and participation.

Demographics

¶4. (SBU) Jordan's population of 5.7 million is split primarily between East-Bank Jordanians (Jordanians whose families trace their heritage to the East Bank of the Jordan River), and Palestinian-origin Jordanians (and their descendants) who arrived in

Jordan in 1948 after the first Arab-Israeli war, and in 1967, following Israel's occupation of the then-Jordanian West Bank. There are approximately 1.8 million UNRWA-registered refugees inside Jordan (some of whom live in 13 designated refugee camps). The vast majority of Palestinian-origin Jordanians (including most of the registered refugees) however, hold Jordanian citizenship and are fully integrated into Jordanian society and dominate the business sector.

15. (SBU) Jordan is also host to numerous Iraqis who have fled the conflict and its after-effects, and has made efforts to extend access to social services to them. The GOJ is reluctant to formally classify the Iraqis as refugees, because of concerns that a new permanent refugee populace in Jordan would further erode the demographic position of East Bankers already compromised by the large influxes of Palestinians. The GOJ emphasizes that hosting the Iraqis has been a burden on the budget, and seeks international aid to ease their already tight fiscal situation. USD 175 million of Jordan's FY 2008 economic assistance supplement is intended to aid the displaced Iraqis in Jordan. Note: The GOJ's official figure of Iraqi refugees is between 450,000-500,000, although some estimates from organizations working with the refugees are lower. End note.

The Economy

16. (U) Jordan has few natural resources and is the fourth most water poor country. Nevertheless, King Abdullah has focused heavily on economic reforms and GDP growth has averaged almost 6 percent in recent years. Investment from Gulf Arab countries has been strong and Jordan has also benefited from exports of phosphate and potash (used to produce fertilizer) and garments to the U.S. It remains dependent, however, on remittances from its well-educated populace working abroad.

17. (U) The King and his advisors continue to foster Jordan's transition from an aid-based economy to a self-sustaining, trade-based one. To this end, the GOJ has worked closely with USAID to reform its regulatory environment and to encourage foreign investment by making the Kingdom a good place to do business. As a result of bilateral engagement, the U.S. has emerged as Jordan's leading trade partner, as Jordan's Free Trade Agreement with the U.S. (signed in 2001), and its Qualifying Industrial Zones (QIZs - established in 1996 in part to promote Israel-Jordan ties) allow for easy access to the American market. Jordan also belongs to the WTO and has or is developing trade relationships and agreements with the EU, the Greater Arab Free Trade Area, Singapore, Canada, Pakistan, Turkey, and China. Still, the economic situation is precarious with complaints that the benefits of economic reform have not reached the masses, a situation exacerbated by the global increases in fuel, food, and commodity prices, as well as the depreciation of the dollar, to which the Jordanian Dinar is pegged, and resulting double-digit inflation.

Politics

18. (SBU) King Abdullah advocates political reform, though efforts are slowed by a recalcitrant bureaucracy and a conservative Parliament. Members of Parliament primarily hail from East Bank tribes - historically, East Bank tribes have been the Hashemites' main pillar of support - and accelerated change could alter the long-standing status quo they find favorable. Still, the King has made some progress on political reform. In 2005, he commissioned the National Agenda, a document designed to serve as a reform roadmap over the next decade. The GOJ recently enacted a new Political Parties Law, which intends to help consolidate and strengthen political party activity in the Kingdom, although many civil society groups criticized the law for still allowing far too much government oversight of parties. Domestic political opposition (and indeed, the only effective political party), lies with the Islamic Action Front (IAF), a self-administering branch of the Jordanian Muslim Brotherhood (JMB) with six seats in parliament, whose platform is based on criticizing Jordan's ties to Israel and the USG. The Prime Minister and cabinet members are all appointed by the King.

Foreign Policy

¶9. (SBU) Jordanian foreign policy encourages stability by supporting moderate governance throughout the region. King Abdullah has publicly stated that the lack of progress in resolving the Israeli-Palestinian dispute is the greatest threat to stability in the region. The King is a staunch backer of the Annapolis process, and frequently and publicly calls for a two-state solution to the Israeli-Palestinian crisis. He backs Palestinian Authority President Mahmud Abbas, whom he considers the legitimate representative of Palestinians in both the Gaza Strip and the West Bank.

¶10. (SBU) King Abdullah has supported U.S. goals in Iraq, including offering support for Iraqi Prime Minister Nouri Al-Maliki's government. Jordan recently appointed an Ambassador to serve in Baghdad, Jordan's first since a 2003 attack on its embassy, and PM Dahabi hosted PM Maliki in June. The visit resulted in the renewal of a 2006 oil deal between Iraq and Jordan to provide Jordan with oil at discounted prices, although consistent implementation of the deal has been hindered by security and technical issues. In August, the King became the first Arab head of state to visit Iraq since the fall of Saddam Hussein.

Energy

¶11. (SBU) To limit Jordan's dependence on foreign oil, King Abdullah initiated a civilian nuclear energy program to overcome the economic burden of importing energy, complemented by efforts to increase renewable energy and add other indigenous sources to Jordan's energy mix. In response to recent hikes in world crude prices, Jordan has faced pressure to implement the new strategy as quickly as possible and competing priorities have emerged. The Cabinet suspended in August ongoing feasibility studies, tenders, and other activities in oil shale exploration within central Jordan for a period of up to 18 months in order to first explore uranium mining in that region. The GOJ and France recently signed an agreement for the French company Areva to mine for uranium. No agreements have been signed yet to provide nuclear reactors.

¶12. (U) In addition to meeting with the French on nuclear energy, Jordan has engaged the Chinese and South Koreans. During the King's September visit to China, his sixth trip to the country as part of his ongoing efforts to broaden Jordan's ties with Asia, the Jordanian delegation signed a non-binding memorandum of understanding on

uranium exploration and several smaller agreements on the peaceful uses of nuclear energy and scientific exchanges.

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